

The Feasibility of Operational Budgeting Implementation in Social Security Organization of East Azerbaijan Province

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Abstract

The goal of this study is to investigate the feasibility of operational budgeting implementation in social security organization of East Azerbaijan Province. For this purpose, three effective factors are defined by Chee theory including ability, authority, acceptability, and 12 theories are adjusted in this regard. The research approach is descriptive and statistical population includes all chairmen and financial assistants, departmental assistants and fiscal assistants of east Azerbaijan province social security; they are 119 persons. Data collection tools are questionnaires in this research. The collected data were analyzed by statistical descriptive and inferential parameters (frequency, Wilcoxon test) and SPSS software. The results of research show that appropriate conditions exist in relation to both the human and technical capacity dimensions, but in performance evaluation ability dimension, there is no ability for operational budgeting implementation. There are no necessary options in relation to legal, superficial and organizational option. In addition, conditions are not fitted with political and motive acceptability. Therefore, the only possibility for a successful implementation of operational budgeting is management acceptability.

Keywords: operational budgeting, Chee model, ability, option, acceptability, social security organization

Introduction

The emergence of budget is due to the presence of two facts in the cosmos. These facts include limited possibilities and natural sources as well as unlimited demands of humanity. Therefore, in the communities demands are more than possibilities and consumptions (consumptions>sources). In result, human beings are obliged to find a solution to deal with the effects of inequality and to avoid the problems of needs providing and they could use sources to support their demands. This solution is just budgeting. The budgeting is a tool for sources support and adjust as well as consumptions, financial operation optimization and finally, achieving desired efficiency. Operational budgeting makes possible the usefulness and effectiveness and ultimately the efficiency in the budget.

Operational budgeting is a kind of classification which shows the relationship between expenses and employed factors. Additionally, it specifies the products and services that are produced as a final product or public part activities during a financial year to achieve economic and social ends.

Social security organization as the largest caretaker of insurance industry in country charges a large-scale tasks and services. Organization's tasks, responsibilities, insurance membership and pensioners increase every year, while organization's financial management (accountancy and budgeting system) are faced with many challenges. The present budgeting method is a combination of traditional and schematic budgeting approach) which do not inform about credits expenses results and efficacy and usefulness of programs. Therefore, operational budgeting system is introduced to solve problems. This research seeks to see whether there is a possibility for implementation of operational budgeting in current conditions.

Nowadays, due to the increased pressure on improving accountability and transparency of organizational performance, conducting such a research in governmental and quasigovernmental organizations is necessary. In result, conducting a study about the feasibility of operational budgeting implementation in social security organization of East Azerbaijan Province is necessary and important.

Other parts of this article are as the following respectively: first there is theoretical foundation, and then the previous findings in Iran and foreign researches are pointed, then the factors influence the operational budgeting implementation are studied by chee model, and followed by research methodology, a report of research findings and at the end, conclusion is presented due to the statistics data analysis.

Theoretical Foundation and Background of Study

American accountancy department defines operational budgeting as: a style of budgeting that connects operational information to budget (Asadi, Ibrahimi& Babashahi, 2007).

Table 1. The necessities and effective factors on operational budgeting

Source	Main factors and budget necessities	Related parameters
Deimound, 2003	Structure	Rules, accountancy methods, tasks, data system, supervision and evaluation
	Outlook	Knowledge, education, motivation
	Parameter features and purposes	Proportion, recognition, partnership, citation and utilization, efficiency and variance, acceptability, stability
Mahmoudi, 2007	Peripheral	Political factors, government support and rural necessities, organizational accountability, ...
	Technical and process	Strategic programming, budgeting parameters determination, reliability parameters, accountancy system changes and reporting, management data system
	Human sources	Education, jobs obtaining requirements, salaries and privileges system, encouragement and punishment system
Three factors chee model (Chee, 1998, Andrew, 2004)	Ability	performance evaluation ability, human power ability, technical ability
	Authority	Rural authority, superficial authority, organizational authority
	Acceptability	Political acceptability, management acceptability, encourage mental acceptability
Three branches model (Mirzaee Aharanjani & Soltani, 1995, Abdsabour, Haj Sayed Taghya & Ravand, 2010)	Behavioral	Persons personalities, motivation, organizational opposition, organizational culture, innovation and creativity, official morality, organizational leadership
	Structural	Organizational strategies and purposes, support sources, internal ground rules and rulebooks, organizational processes, management and organizational structure
	Background	Economic factors, social factors, legal-political factors

The origin of the operational budgeting refers to schematic budgeting (the first American budgeting system) that was offered in 1949 by Hour commission. This commission changed the center of attention from inputs towards tasks, activities, expenses and governmental accomplishments. Therefore, operational budget describes expected outputs which emerged from a task or a special activity instead of emphasis on expenses items (Abbasi, 2013). Due to the extensive research on the factors influencing the successful implementation of operational budgeting, different models are offered in this regard. Some of the classifications and consideration of factors and related parameters are shown in the following table to select one of the reliable models to study operational budgeting (Abdsabour, 2011).

Explaining the effective factors on successful implementation of operational budgeting by Chee model

Considering that this study aims to explain operational budgeting necessities in the social security organization, the three-factor Chee model is selected as a perfect model which considers all internal-external organizational factors. Its triple necessities are ability, authority and acceptability which are explained below.

Ability in operational budgeting implementation

The lack of ability of human being or low capacity of personnel can be considered as one of the factors of failure in operational budgeting implementation.

Operational budgeting will fail when governmental organizations could not evaluate performance purposefully and effectively. Information of performance evaluation for successful implementation of operational budgeting should be used in management of affairs and decision makings and also in allocation of sources as well as designing encouragement schemes. It should be noted that performance evaluation information should be correct and reliable (Fouletin, 1999).

The implementation of operational budgeting is the most advanced budgeting system in the world. The successful implementation of this system is impossible without expert personnel employment. The present personnel that are acted in the present system frame for years which is an easy work compared to the operational budgeting system, can not implement this system. However, it does not mean that the current labor force should be abandoned, but they should be trained in different and required dimensions for perception and implementation of this system. In addition, new personnel should be employed in financial and budget fields based on a scientific test with bachelor and higher degree in the accountancy and budget courses.

Operational budgeting more possibly do not understand the decisions processes related to other organizational operations if performance data to be technically separated from accountancy and budgeting operations (Asadi, et.al, 2009). Many governments and governmental organizations usually evaluate the required innovations for operational budgeting implementation and most of them have problems in their financial management system. Some of them believe that one of the most important problems in implementation of operational budgeting is the lack of required financial sources for new financial and informal systems development.

Authority in operational budgeting implementation

Delegation mechanism is another factor in implementation of operational budgeting based on Chee model. The implementation of budgeting would be difficult if budget managers have no required authority during budgeting and its implementation. Authority has three dimensions including legal authority, procedural authority and organizational authority.

Budgeting procedures are strictly regulated and new reforms should not be in conflict with rules. In some countries, government has compiled rules in relation to financial punishment and encouragement for organizations, units and persons, in which most of rules are in conflict with

profit-sharing and incentive payments related to performance. Therefore, the primary rules and subsequent legislation should be in reaction to implement operational budgeting successfully.

In some governments, rules and procedural budget emphasize on inputs, chapters careful explanation and expenses. This issue weakens the potential role of information obtained from performance evaluation. Managers and regulators should emphasize on inputs and procedural authority does not have another form for implementation. But there are many procedures of traditional budgeting (despite the efforts for enforcing decision makers to use the information obtained from budgeting based on performance) (Yang, 2003).

When budget procedures and processes weaken and limit the role of information obtained from performance evaluation, the creation of an operational budgeting system would be very difficult. Operational budgeting would be implemented more effectively if delegation to be done sufficiently and managers can decide in relation to employers, budgeting, reporting, etc. The existing delegation strategy should provide such conditions (Kettl, 1992). Organizational authority in relation to the utilization of operational information is influenced severely by political officials, and resources allocation decision should be made in the frames of political authorities that they do not interested in the use of information obtained from performance evaluation and this leads to the failure of reforms.

Acceptability in operational budgeting implementation

Governmental officials, official managers and organizations' employers should be informed that operational budgeting requires effort to reduce expenses and to achieve the short and long term governmental and social profits for successful implementation of operational budgeting.

Political officials' acceptability is very important in the field of financial resources' support and provision for successful implementation of operational budgeting. Studies show that acceptability of operational budgeting by managers about the utilization of operational information in the management decision makings and creating motive designs production is essential. A basic challenge in operational budgeting is schematic managers' persuasion about strategic designs' value and operation measurement (Asadi, et.al, 2008).

Budgeting process is full of encouragements, similar diplomats and managers have motivations for using specific information and certain behaviors. Authorities are going to have motive strategy for information use based on operation in the field of operational budgeting. They believe that motivations and encouragements should be a part of operational budgeting, so that rewards and punishments should be considered for appropriate and inappropriate performance in the approved programs implementation, as well as for successes or failure in the operational budgeting implementation.

Background of study

Some researches about operational budgeting are done in Iran and other countries. Asadi, Ibrahimi and Babashahi (2006) have studied operational budgeting settlement obstacles definition essay in the Islamic Republics of Iran customs based on Chee model. The results show that the lack of sufficient ability in the performance evaluation, the lack of quantitative and qualitative ability of manpower, the lack of enough technical ability, the lack of legal authority, the lack of procedural and organizational authority are obstacles in in budgeting system implementation in customs.

Pouranaghi (2012) conducted a research entitled identifying operational budgeting implementation obstacles in the execution departments of East Azerbaijan Province in the Bonab Azad University. The results of this research showed that the inappropriate background, executive and controlling factors referred to implementation obstacles of the operational budgeting in executive departments of East Azerbaijan Province. Therefore, the lack of their observation in

organizations will be obstacles for operational budgeting implementation. Controlling factors also have most effects and executive and background factors are respectively the next levels in implementing the operational budgeting in the East Azerbaijan Province departments.

Pourzamani and Naderi (2013) in a research entitled the study of operational budgeting establishment obstacles in Iranian commercial-industrial free districts organizations showed the inability of performance evaluation, inability of manpower, lack of legal authority and procedural authority as well as lack of motivation of acceptability as operational budgeting establishment obstacles based on the Chee model. However, some factors like technical ability, time authority, political and management acceptability are not considered as obstacles.

The results of research done by Foroughi, et.al (2013) in the 50 governmental departments of Isfahan Province show that apart from the ability to evaluate the performance, other requirements for the implementation of expense finding based on the activity in the operational budgeting including employers' ability, technical ability, legitimacy (legal, procedural, organizational legitimacy) and acceptability (political, managerial and encouragements 'association) are not exist.

A research entitled "identifying and prioritization of effective factors in the budgeting based on performance" has been done by Pakmaram, et.al (2012) by using Topsis method in Telecom Company that its goal was to identify and prioritize the effective factors in the budgeting based on the performance in the Telecom Company of East Azerbaijan province in Iran. According to this research finding dominant, executive and controlling factors are effective in the operational budgeting establishment based on activities and those dominant factors have the most effects on the operational budgeting establishment based on activities among.

Yahiya, Nikahmad and Fatima (2008) have conducted a study entitled "operational and budgeting participation" and concluded that participating in budgeting has a positive effect on management, and organization should try to receive backwards from employers in different levels. When managers premised to enter data and inputs in budgeting process, they obliged more to organization.

Blomenterider group (2006) conducted a research entitled strategic management unification and budgeting and concluded that managers face challenges in the strategic programming and budgeting and budgets are not related to the operational and commercial strategies, and a budget cannot be efficient, unless the decisions of organization to be strategic. Strategic management and budgeting are separate, but their activities are relative and if both of them to be applied appropriately, they can improve ability creation and operation safety.

Jordan and Hakbart (2005) in a study entitled "the purpose and success of operational budgeting implementation" showed that answering responsibility plan is more effective on successful budgeting system establishment based on performance instead of budget allocation purpose. This research studies budgeting models based on performed operation ordered by execution department and provincial congress, and the results showed that estimated variables' coefficients are negative in both models and in other words, operational budgeting decreases expenses.

Leo, et.al, (2011) in a research entitled "operational budgeting in USA- what does the rule have been obliged for its performance?" have investigated the operational budgeting rule and its relationship with operational budgeting system perform quality. Recent researches show that states in which operational budgeting system is implemented well approve operational budgeting system rules more than states in which operational budgeting is not implemented or implemented weakly. The results of their research showed that operational budgeting rule which includes comparative instructions about development, reporting and using operational data resulted in more stable use of operational budgeting system in the states.

Methodology

This research is survey in method and applied in purpose. Required information has been gathered, processed and analyzed by SPSS software for hypothesis testing. Statistical population of this research involves all budget experts and official-fiscal assistants of the social security branches of East Azerbaijan Province that they are 119 persons based on received information from social security organization during research. As statistical population is limited, whole statistical population is considered as a statistical sample. It means that full counting method has been used for sampling. Gathering data tool is a questionnaire with 30 questions. Questions have been adjusted based on Likert 5 options scales. Questionnaire validity is formal. Questionnaire reliability based on Cronbach's alpha test for authority factors is equal to 0.817, for ability 0.818, for acceptability 0.816 and for whole questionnaire is equal to 0.889. It means that research questionnaire has a high reliability. Statistical descriptive and inferential methods have been used for data analysis. Wilcoxon test with spss software has been used for hypothesis examination.

Research findings

Research descriptive statistics includes sex, working experience in organization, educations, educational course. 56.3% of subjects are men and 43.7% are women. 18.7% individuals have working experience less than 10 years in organization, 36.1 % of individuals have working experience between 10-15 years, 25.2 % between 16-20 years and 20.2 % have more than 20 years. 7.6 % educated in M.A, 66.4 % educated in B.A, 26.1 % educated in diploma and associated degree. 47.1 % of individuals educated in management, 47.9 % in accountancy, 3.4 % in economics and 1.7 % in the other courses.

The study of numbers distribution normalization of variables:

Kolmogorov-Smirnov test has been used to investigate the numbers distribution normalization of variables.

According to the meaningful levels of the following table, all variables are not distributed normally (meaningful level less than 5 %).

Table 2. Kolmogorov-Smirnov test results to investigate the numbers distribution normalization

	Number	Kolmogorov-Smirnov statistics z	Sig.
Perform ability	119	1.443	0.031
Operation evaluation ability	119	1.692	0.007
Human being ability	119	2.397	0.000
Technical ability	119	2.292	0.000
Authority of performance	119	1.392	0.041
Legal authority	119	2.014	0.001
Superficial authority	119	2.175	0.000
Organizational authority	119	2.567	0.000
Acceptability for performance	119	1.392	0.041
Political acceptability	119	1.751	0.004
Managerial acceptability	119	1.950	0.001
Motivational acceptability	119	1.623	0.010

One sample Wilcoxon nonparametric test is used to test hypotheses because variables' distribution generally was not normal. Grades are amog1-5. In conclusion, test level is equal to 3, which is variable mean level (theoretical mean). The position is normal, if variable mean to be more than 3.

Table 3. Wilcoxon nonparametric sample test results for study of ability level

Dependent variable	Number	Observed mean	Theoretical mean	Sig.	Results
Performance ability	119	3.3636	3	0.000	-
Operational evaluation ability	119	2.5000	3	0.000	-
Human being ability	119	3.6667	3	0.000	-
Technical ability	119	4.0000	3	0.000	-

The obtained mean for performance ability, human being ability and technical ability is more than 3, and meaning level is less than 5 %. As the obtained mean is more than 3, then social security organization cannot produce a required frame-work for operational budgeting implementation. We conclude that social security of organization does not have the required ability, because the obtained mean for operational evaluation ability is less than 3.

Table 4. Wilcoxon nonparametric sample test results for study of authority level

Dependent variable	Number	Observed mean	Theoretical mean	Sig.	Results
Authority of performance	119	3.6667	3	0.000	-
Legal authority	119	4.0000	3	0.000	-
Superficial authority	119	3.5000	3	0.000	-
Organizational authority	119	3.6667	3	0.000	-

Observed mean for authority factors collection is more than 3 and meaning level is also less than 5%, as the mean is more than 3, then social security organization authorized for operational budgeting implementation.

Table 5. Wilcoxon nonparametric sample test results for study of acceptability level

Dependent variable	Number	Observed mean	Theoretical mean	Sig.	Result
Acceptability of performance	119	3.3000	3	0.000	-
Political acceptability	119	3.0000	3	0.069	+
Managerial acceptability	119	4.3333	3	0.000	-
Motivational acceptability	119	2.6667	3	0.000	-

Conclusion

Budgeting methods correction and its sources distribution are necessary for economic structure correction of executive part of organizations. Currently, budgeting conventional or increased methods are used in many developing countries like Iran, and governmental payments are performed in the frame of expenses device and budget of every year with a partial-gradual method as well as increased prices changes and operations level are basis for the next year.

This article is an answer for this question “What necessities should be considered for operational budgeting methods enjoyment?”. Three-factors Chee model has been used for communicating more with social security organization.

The results of the study show that the East Azerbaijan social security organization has a high position in human being ability, technical and technological ability and only performance evaluation ability was not in accepted lack. So, especial attention should be paid for successful implementation of operational budgeting. This organization is confirmed for appropriation authorities and its dimensions like legal authority, procedural authority and organizational authority to perform operational budgeting. It is confirmed just for managerial acceptability among appropriation acceptability and dimensions like political, managerial and motivational acceptability, however, dimensions and political acceptability items and motivational acceptability should be studied more to perform a successful operational budgeting.

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